

HOWARD SCHOOL DISTRICT NO. 48-3

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED

JUNE 30, 2010

HARRINGTON & ASSOCIATES, LTD.

CERTIFIED PUBLIC ACCOUNTANT

HOWARD SCHOOL DISTRICT NO. 48-3
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2010

Board Members:

Rick Olson - President
Larry Calmus - Vice President
Jan Torkelson
Kim Lewis
Julie Schwader
Dan Dawson
Justin Palmquist

Superintendent:

Mike Cullen

Business Manager:

Marcia Sherman

HOWARD SCHOOL DISTRICT NO. 48-3
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

School Board
Howard School District No. 48-3
Miner County, South Dakota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Howard School District No. 48-3, Miner County, South Dakota, as of and for the year ended June 30, 2010, which collectively comprise Howard School District's basic financial statements and have issued our report thereon dated December 27, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Howard School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Howard School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the South Dakota Legislature, state granting agencies, and the governing board and management of the Howard School District No. 48-3, South Dakota and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Hamington & Associates, LTD

Huron, South Dakota
December 27, 2010

HOWARD SCHOOL DISTRICT NO. 48-3
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

PRIOR FEDERAL COMPLIANCE AUDIT FINDINGS:

There are no written prior federal compliance audit findings to report.

PRIOR OTHER AUDIT FINDINGS:

There are no written prior other audit findings to report.

HOWARD SCHOOL DISTRICT NO. 48-3
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

CURRENT FEDERAL AUDIT FINDINGS:

There are no written current federal compliance audit findings to report.

CURRENT OTHER AUDIT FINDINGS:

There are no written current other audit findings to report.

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INDEPENDENT AUDITOR'S REPORT

School Board
Howard School District No. 48-3
Miner County, South Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Howard School District No. 48-3, Miner County, South Dakota, as of and for the year ended June 30, 2010, which collectively comprise Howard School District's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of Howard School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Howard School District No. 48-3, South Dakota as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated December 27, 2010 on our consideration of Howard School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope

of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and, should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison information, and schedule of funding process on pages 7 through 15 and 51 through 60, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Harrington & Associates, LTD.

Huron, South Dakota
December 27, 2010

HOWARD SCHOOL DISTRICT NO. 48-3 MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Howard School District 48-3's annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year ended on June 30, 2010. Please read it in conjunction with the School's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- During the year, the School's revenues generated from taxes and other revenues of the governmental and business-type programs were \$146,842 more than the \$3,883,912 governmental and business-type program expenditures.
- The total cost of the School's governmental programs increased overall by \$256,898.

Expenditure Comparison by Fund (excluding depreciation):

| | General | Capital Outlay | Special Education | Pension |
|-------|------------------|----------------|-------------------|---------------|
| FY 09 | 2,609,302 | 236,524 | 479,649 | 76,334 |
| FY 10 | <u>2,699,157</u> | <u>424,167</u> | <u>452,163</u> | <u>83,220</u> |
| | +89,855 | +187,643 | -27,486 | +6,886 |

- The general fund reported \$31,119 less in current year revenue than expenses. The School District passed a \$225,000 five year opt out of the General Fund tax limitations in 2004. The current opt out ended with taxes payable in 2009 or the 1st half of the school fiscal year 2009-2010.
- The district transferred money out of Special Education in accordance with House Bill 1020.
- The School district received \$110,282 from the dissolution of the Carthage School District.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School government, reporting the School's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities that the school operates like businesses. The only proprietary fund operated by the school is the Food Service Operation.
 - Fiduciary fund statements provide information about the financial relationships - like scholarship plans for graduating students - in which the School acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

**HOWARD SCHOOL DISTRICT NO. 48-3
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Figure A-1 summarizes the major features of the School's financial statements, including the portion of the School government covered and the types of information contained. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

Major Features of Sample School's Government-wide and Fund Financial Statements

| | Government-wide Statements | Fund Statements | | |
|--|--|--|--|---|
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire School government (except fiduciary funds and the fiduciary component units) | The activities of the School that are not proprietary or fiduciary, such as elementary and high school education programs. | Activities the School operates similar to private businesses, the food service operation. | Instances in which the School is the trustee or agent for someone else's resources. |
| Required Financial Statements | *Statement of Net Assets *Statement of Activities | *Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances | *Balance Sheet *Statement of Revenues, Expenses and Changes in Net Assets *Statement of Cash Flows | *Statement of Fiduciary Net Assets *Statement of Changes in Fiduciary Net Assets |
| Accounting Basis and Measurement Focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of Asset/Liability Information | All assets and liabilities, both financial and capital, and short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included | All assets and liabilities, both financial and capital, and short-term and long-term | All assets and liabilities, both short-term and long-term; the School's funds do not currently contain capital assets although they can |
| Type of Inflow/Outflow Information | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during year, regardless of when cash is received or paid | All revenues and expenses during year, regardless of when cash is received or paid |

HOWARD SCHOOL DISTRICT NO. 48-3 MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Statements

The government-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the School's net assets and how they have changed. Net assets – the difference between the School's assets and liabilities – is one way to measure the School's financial health or position.

- Increases or decreases in the School's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the School you need to consider additional nonfinancial factors such as changes in the School's property tax base and changes in the state school aid funding formula from the State of South Dakota.

The government-wide financial statements of the School are reported in two categories:

- **Governmental Activities** - This category includes the School's basic instructional services, such as elementary and high school educational programs, support services (guidance counselor, executive administration, board of education, fiscal services, etc.), debt service payments, extracurricular activities (sports, debate, music, etc.) and capital equipment purchases. Property taxes, state grants, federal grants and interest earnings finance most of these activities.
- **Business-type Activities** - The school charges a fee to students to help cover the costs of providing hot lunch services to all students. The Food Service Fund is the only business-type activity of the School.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds – not the School as a whole. Funds are accounting devices that the School uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some of the funds.
- The School Board establishes other funds to control and manage money for particular purposes (like the Scholarship Trust).

The School has three kinds of funds:

- **Governmental Funds** – Most of the School's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.

**HOWARD SCHOOL DISTRICT NO. 48-3
MANAGEMENT'S DISCUSSION AND ANALYSIS**

- **Proprietary Funds** – Services for which the School charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The Food Service Enterprise Fund (one type of proprietary fund) is the only proprietary fund maintained by the School.
- **Fiduciary Funds** – The School is the trustee, or fiduciary, for various external and internal parties. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the School's government-wide financial statements because the School cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Assets

The School's combined net assets increased as follows:

Table A-1
Howard School District 48-3
Statement of Net Assets-FY 10

| | Governmental Activities | | Business-Type Activities | | Total | | Total Percentage Change |
|--|--------------------------------|------------------|---------------------------------|---------------|------------------|------------------|--|
| | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009-10 |
| Current and Other Assets | \$ 2,578,991 | \$ 2,782,990 | \$ 22,625 | \$ 29,286 | \$ 2,601,616 | \$ 2,812,276 | 8.10% |
| Capital Assets (Net of Depreciation) | 3,218,447 | 3,205,599 | 22,083 | 18,898 | 3,240,530 | 3,224,497 | -0.49% |
| Total Assets | 5,797,438 | 5,988,589 | 44,708 | 48,184 | 5,842,146 | 6,036,773 | 3.33% |
| Long-Term Liabilities Outstanding | 1,201,835 | 1,228,627 | - | - | 1,201,835 | 1,228,627 | 2.23% |
| Other Liabilities | 228,799 | 245,520 | 3,145 | 7,417 | 231,944 | 252,937 | 9.05% |
| Total Liabilities | 1,430,634 | 1,474,147 | 3,145 | 7,417 | 1,433,779 | 1,481,564 | 3.33% |
| Net Assets | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | 2,064,312 | 2,117,944 | 22,083 | 18,898 | 2,086,395 | 2,136,842 | 2.42% |
| Restricted | 228,409 | 361,019 | 19,480 | 21,869 | 247,889 | 382,888 | 54.46% |
| Unrestricted | 2,074,083 | 2,035,479 | - | - | 2,074,083 | 2,035,479 | -1.86% |
| Total Net Assets | 4,366,804 | 4,514,442 | 41,563 | 40,767 | 4,408,367 | 4,555,209 | 3.33% |
| Beginning Net Assets | 4,332,745 | 4,366,804 | 26,757 | 41,563 | 4,359,502 | 4,408,367 | |
| Increase (Decrease) in Net Assets | 34,059 | 147,638 | 14,806 | (796) | 48,865 | 146,842 | |
| Percentage of Increase (Decrease) in Net Assets | 0.79% | 3.38% | 55.34% | -1.92% | 1.12% | 3.33% | |

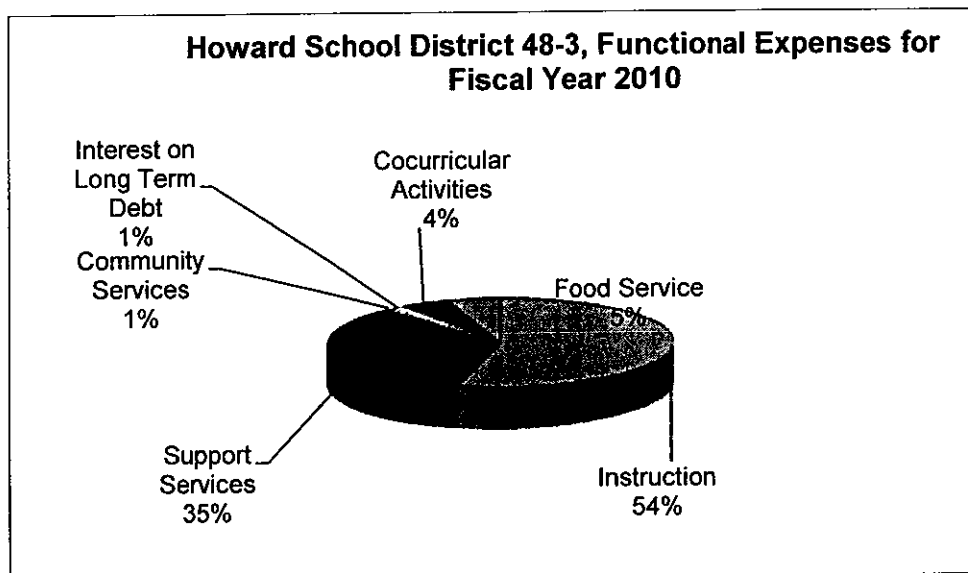
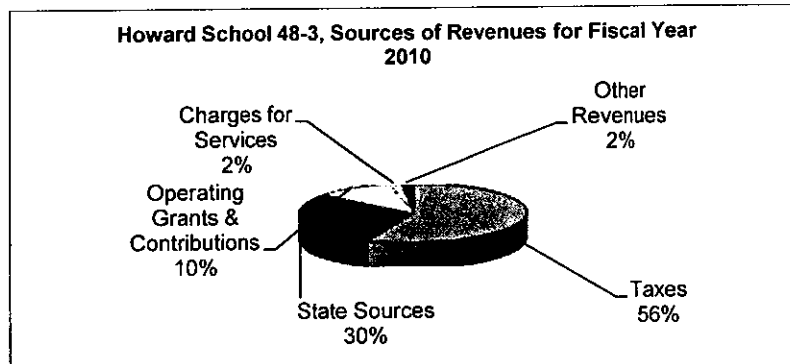
HOWARD SCHOOL DISTRICT NO. 48-3 MANAGEMENT'S DISCUSSION AND ANALYSIS

The Statement of Net Assets reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the school, consisting of compensated absences payable and capital lease payable have been reported in this manner on the Statement of Net Assets. The difference between the school's assets and liabilities is its net assets.

Changes in Net Assets

The School's total revenues totaled \$3,911,716. (See Table A-2.) Approximately 56% of the School's revenue comes from property and other taxes, with approximately 30% coming from state aid. (See Figure A-3).

The total cost of all programs and services totaled to \$3,883,912. The School's expenses cover a range of services, encompassing instruction, support services and food services. (See Figure A-4) The school district also serves as Fiscal Agent for the CORELL (Community Education and Recreation Program) and FAST (Fun After School Time) programs. Revenues and expenses for these programs are included under Operating Grants and Contributions and Non-Programmed Services respectively.



HOWARD SCHOOL DISTRICT NO. 48-3 MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

Table A-2 and the narrative that follows consider the operations of the governmental activities and the business-type activities of the school.

GOVERNMENTAL ACTIVITIES

Table A-2
HOWARD SCHOOL DISTRICT 48-3
Changes in Net Assets - FY 10

| | Governmental Activities | | Business-Type Activities | | Total | | Total Percentage Change |
|--|-------------------------|---------------------|--------------------------|-------------------|---------------------|---------------------|-------------------------------|
| | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009-2010 |
| Revenues | | | | | | | |
| Program Revenues | | | | | | | |
| Charges for Services | \$ 88,570 | \$ 62,104 | \$ 110,807 | \$ 106,783 | \$ 199,377 | \$ 168,887 | -15.29% |
| Operating Grants and Contributions | 282,502 | 382,931 | 75,026 | 77,015 | 357,528 | 459,946 | 28.65% |
| Capital Grants and Contributions | 3,150 | - | - | - | 3,150 | - | -100.00% |
| General Revenues | | | | | | | |
| Taxes | 1,923,248 | 2,093,868 | - | - | 1,923,248 | 2,093,868 | 8.87% |
| Revenue State Sources | 1,105,429 | 1,099,313 | 923 | 1,084 | 1,106,352 | 1,100,397 | -0.54% |
| Unrestricted Investment Earnings | 30,501 | 23,395 | 63 | 187 | 30,564 | 23,582 | -22.84% |
| Other General Revenues | 97,696 | 65,036 | - | - | 97,696 | 65,036 | -33.43% |
| Total Revenues | \$ 3,531,096 | \$ 3,726,647 | \$ 186,819 | \$ 185,069 | \$ 3,717,915 | \$ 3,911,716 | 5.21% |
| Expenses | | | | | | | |
| Instruction | \$ 1,959,268 | \$ 2,096,149 | \$ - | \$ - | \$ 1,959,268 | \$ 2,096,149 | 6.99% |
| Support Services | 1,282,665 | 1,348,995 | - | - | 1,282,665 | 1,348,995 | 5.17% |
| Nonprogrammed Charges | - | 3,562 | - | - | - | 3,562 | 100.00% |
| Debt Service | 55,650 | 52,676 | - | - | 55,650 | 52,676 | -5.34% |
| Cocurricular Activities | 161,338 | 174,540 | - | - | 161,338 | 174,540 | 8.18% |
| Community Services | 27,843 | 22,125 | - | - | 27,843 | 22,125 | 100.00% |
| Food Service | - | - | 182,286 | 185,865 | 182,286 | 185,865 | 1.96% |
| Total Expenses | \$ 3,486,764 | \$ 3,698,047 | \$ 182,286 | \$ 185,865 | \$ 3,669,050 | \$ 3,883,912 | 5.86% |
| Excess (Deficiency) Before Special Items and Transfers | \$ 44,332 | \$ 28,600 | \$ 4,533 | \$ (796) | \$ 48,865 | \$ 27,804 | 100.00% |
| Extraordinary Items | - | 119,038 | - | - | - | 119,038 | 100.00% |
| Food Service Equipment purchased from CO | (10,273) | - | 10,273 | - | - | - | 100.00% |
| Increase (Decrease) in Net Assets | \$ 34,059 | \$ 147,638 | \$ 14,806 | \$ (796) | \$ 48,865 | \$ 146,842 | 100.00% |
| Beginning Net Assets | \$ 4,332,745 | \$ 4,366,804 | \$ 26,757 | \$ 41,563 | \$ 4,359,502 | \$ 4,408,367 | 1.12% |
| Ending Net Assets | \$ 4,366,804 | \$ 4,514,442 | \$ 41,563 | \$ 40,767 | \$ 4,408,367 | \$ 4,555,209 | 3.33% |

**HOWARD SCHOOL DISTRICT NO. 48-3
MANAGEMENT'S DISCUSSION AND ANALYSIS**

BUSINESS-TYPE ACTIVITIES

Revenues of the School's business-type activities (Food Service Operation) decreased by \$1,750 and expenses increased \$3,579. Factors contributing to these results included:

- The primary reason for the increase in expenses was due to increased wages, high fuel costs and increased costs of food.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The General Fund Balance decreased by \$31,119 from the 2008-2009 school year. The Capital Outlay Fund Balance increased by \$46,866 mainly due to allowed transfer from Special Education Fund. Special Education noted a \$134,293 increase mainly due to Carthage School dissolution monies. Pension Fund ended \$2,183 higher than the previous year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the School Board revised the School budget several times. These amendments fall into three categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the education program of this district.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.
- Supplemental appropriations were approved for supplemental grant revenues received after the original budget was adopted.

There were no significant budget changes or budget variances for the year.

CAPITAL ASSET ADMINISTRATION

By the end of 2010, the School had invested \$5,433,639 in a broad range of capital assets, including, land, buildings, various machinery and equipment. (a schedule of Capital Assets may be found in the Notes to Financial Statements) This amount represents a net decrease (including additions and deductions) of \$12,000. The accumulated depreciation on this property totals to \$2,228,040.

**HOWARD SCHOOL DISTRICT NO. 48-3
MANAGEMENT'S DISCUSSION AND ANALYSIS**

LONG-TERM DEBT

At year-end the School had a total Long Term Debt of \$1,228,627 with \$1,087,655 owed on the Capital Lease-Purchase for the 2007 HVAC upgrade project and \$51,880 in Sick Leave. The school is liable for the payment of unused sick leave upon leaving the district. Those certified staff members and the business manager who meet the criteria of working for the school district for fifteen or more years may receive \$40 per day for unused sick leave up to a maximum of 90 days or \$3,600.

**Table A-4
Howard School District 48-3 - Outstanding Debt and Obligations**

| | Governmental Activities | | Business-type Activities | | Total Dollar Change | Total Percentage Change |
|---|------------------------------------|---------------------|-------------------------------------|-------------|------------------------------------|--|
| | 2009 | 2010 | 2009 | 2010 | 2009-2010 | 2009-2010 |
| Capital Lease | \$ 1,154,135 | \$ 1,087,655 | \$ - | \$ - | \$ (66,480) | -5.76% |
| OPEB | - | 89,092 | - | - | 89,092 | 100.00% |
| Compensated Absences | 47,700 | 51,880 | - | - | 4,180 | 8.76% |
| Total Outstanding Debt and Obligations | \$ 1,201,835 | \$ 1,228,627 | \$ - | \$ - | \$ 26,792 | 2.23% |

**HOWARD SCHOOL DISTRICT NO. 48-3
MANAGEMENT'S DISCUSSION AND ANALYSIS**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The School's current economic position has shown improvement. The \$225,000 five year general fund opt-out allows the School the ability to increase the amount of revenue generated from property taxes. The total amount which can be levied in the General Fund is limited by the State of South Dakota at rates reestablished annually by the legislature.

One of the primary sources of revenue to the School is based on a per student allocation received from the State of South Dakota. The state aid formula for the current year ensures that property taxes plus state aid will equal \$4804.60 per pupil that includes a small school adjustment. The district's enrollment changes between FY 08 and 09 cancelled each other out and the fall enrollment for FY 10 will be similar to the FY09 school year. This consistency is a contributing factor in the improved fund balance for the ensuing year.

**HOWARD SCHOOL DISTRICT ENROLLMENT
FOR LAST FIVE YEARS**

| <u>YEAR</u> | <u>Enrollment</u> | <u>Type</u> | <u>Percent</u> |
|-------------|-------------------|-------------|----------------|
| 2009 | 379 | Fall | 5.0% |
| 2008 | 361 | Fall | (5.9%) |
| 2007 | 384 | Fall | (1.3%) |
| 2006 | 389 | ADM | .0% |
| 2005 | 389 | ADM | (5.4%) |

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Howard School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Howard School District Business Office, 500 N. Section Line St., Howard, SD 57349.

HOWARD SCHOOL DISTRICT NO. 48-3
STATEMENT OF NET ASSETS
JUNE 30, 2010

| | PRIMARY GOVERNMENT | | |
|---|---------------------|------------------|---------------------|
| | GOVERNMENTAL | BUSINESS-TYPE | |
| | ACTIVITIES | ACTIVITIES | TOTAL |
| ASSETS: | | | |
| Cash and Cash Equivalents | \$ 883,643 | \$ 19,509 | \$ 903,152 |
| Investments | 1,000,000 | - | 1,000,000 |
| Taxes Receivable | 880,944 | - | 880,944 |
| Inventories | 10,753 | 3,145 | 13,898 |
| Other Assets | 7,650 | 6,632 | 14,282 |
| Capital Assets: | | | |
| Land | 19,725 | - | 19,725 |
| Other Capital Assets, Net of Depreciation | 3,185,874 | 18,898 | 3,204,772 |
| TOTAL ASSETS | \$ 5,988,589 | \$ 48,184 | \$ 6,036,773 |
| LIABILITIES: | | | |
| Accounts Payable | \$ 32,370 | \$ - | \$ 32,370 |
| Other Current Liabilities | 213,150 | 7,417 | 220,567 |
| Noncurrent Liabilities: | | | |
| Due Within One Year | 74,594 | - | 74,594 |
| Due in More than One Year | 1,154,033 | - | 1,154,033 |
| TOTAL LIABILITIES | 1,474,147 | 7,417 | 1,481,564 |
| NET ASSETS: | | | |
| Invested in Capital Assets, Net of Related Debt | 2,117,944 | 18,898 | 2,136,842 |
| Restricted for: | | | |
| Capital Outlay | 214,520 | - | 214,520 |
| Special Education | 144,314 | - | 144,314 |
| Food Service | - | 21,869 | 21,869 |
| Pension | 2,185 | - | 2,185 |
| Unrestricted | 2,035,479 | - | 2,035,479 |
| TOTAL NET ASSETS | 4,514,442 | 40,767 | 4,555,209 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 5,988,589 | \$ 48,184 | \$ 6,036,773 |

The accompanying notes are an integral part of these financial statements.

HOWARD SCHOOL DISTRICT NO. 48-3
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

| FUNCTIONS / PROGRAMS | EXPENSES | PROGRAM REVENUES | |
|--------------------------------|--------------|----------------------|---------|
| | | CHARGES FOR SERVICES | |
| Primary Government: | | | |
| Governmental Activities: | | | |
| Instruction | \$ 2,096,149 | \$ | - |
| Support Services | 1,348,995 | | 28,709 |
| Community Services | 22,125 | | - |
| Nonprogrammed Charges | 3,562 | | - |
| * Interest on Long-Term Debt | 52,676 | | - |
| Cocurricular Activities | 174,540 | | 33,395 |
| Total Governmental Activities | 3,698,047 | | 62,104 |
| Business-Type Activities | | | |
| Food Service | 185,865 | | 106,783 |
| Total Business-Type Activities | 185,865 | | 106,783 |
| Total Primary Government | \$ 3,883,912 | \$ | 168,887 |

The district does not have interest expense

*The District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

The accompanying notes are an integral part of these financial statements.

| PROGRAM REVENUES | | NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS | | PRIMARY GOVERNMENT | |
|--|--|--|-----------------------------|--------------------|--|
| OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL | |
| \$ 382,931 | \$ - | \$ (1,713,218) | \$ - | \$ (1,713,218) | |
| - | - | (1,320,286) | - | (1,320,286) | |
| - | - | (22,125) | - | (22,125) | |
| - | - | (3,562) | - | (3,562) | |
| - | - | (52,676) | - | (52,676) | |
| - | - | (141,145) | - | (141,145) | |
| 382,931 | - | (3,253,012) | - | (3,253,012) | |
| 77,015 | - | - | (2,067) | (2,067) | |
| 77,015 | - | - | (2,067) | (2,067) | |
| \$ 459,946 | \$ - | (3,253,012) | (2,067) | (3,255,079) | |

GENERAL REVENUES:

Taxes:

| | | | |
|----------------------|-----------|---|-----------|
| Property Taxes | 1,957,656 | - | 1,957,656 |
| Gross Receipts Taxes | 136,212 | - | 136,212 |

Revenue from State Sources:

| | | | |
|----------------------------------|-----------|-------|-----------|
| State Aid | 1,097,948 | - | 1,097,948 |
| Other | 1,365 | 1,084 | 2,449 |
| Unrestricted Investment Earnings | 23,395 | 187 | 23,582 |
| Other General Revenues | 65,036 | - | 65,036 |
| Extraordinary Items - (Note 15) | 119,038 | - | 119,038 |

| | | | |
|--|-----------|-------|-----------|
| Total General Revenues and Extraordinary Items | 3,400,650 | 1,271 | 3,401,921 |
|--|-----------|-------|-----------|

| | | | |
|----------------------|---------|-------|---------|
| Change in Net Assets | 147,638 | (796) | 146,842 |
|----------------------|---------|-------|---------|

| | | | |
|----------------------|-----------|--------|-----------|
| Net Assets-Beginning | 4,366,804 | 41,563 | 4,408,367 |
|----------------------|-----------|--------|-----------|

| | | | |
|-------------------|--------------|-----------|--------------|
| Net Assets-Ending | \$ 4,514,442 | \$ 40,767 | \$ 4,555,209 |
|-------------------|--------------|-----------|--------------|

HOWARD SCHOOL DISTRICT NO. 48-3
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

| | GENERAL FUND | CAPITAL OUTLAY FUND |
|---|---------------------|---------------------------|
| ASSETS: | | |
| Cash and Cash Equivalents | \$ 671,088 | \$ 26,357 |
| Investments | 800,000 | 200,000 |
| Taxes Receivable--Current | 418,147 | 206,548 |
| Taxes Receivable--Delinquent | 14,993 | 1,814 |
| Due from Other Governments | 7,204 | - |
| Inventory of Supplies | 9,105 | 1,648 |
| TOTAL ASSETS | \$ 1,920,537 | \$ 436,367 |
| LIABILITIES AND FUND BALANCES: | | |
| Liabilities: | | |
| Accounts Payable | \$ 5,582 | \$ 13,485 |
| Contracts Payable | 139,691 | - |
| Payroll Deductions and Withholding and Employer Matching Payable | 46,617 | - |
| Deferred Revenue | 433,140 | 208,362 |
| Total Liabilities | 625,030 | 221,847 |
| Fund Balances: | | |
| Reserved for: | | |
| Inventory | 9,105 | - |
| Unreserved Fund Balances: | | |
| Designated for Cash Flow | 250,000 | - |
| Designated for Next Years Budget | 480,419 | - |
| Designates for Other Purposes | 80,285 | - |
| Undesignated | 475,698 | 214,520 |
| Total Fund Balances | 1,295,507 | 214,520 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 1,920,537 | \$ 436,367 |

The accompanying notes are an integral part of these financial statements.

| SPECIAL EDUCATION FUND | PENSION FUND | TOTAL GOVERNMENTAL FUNDS |
|------------------------------|-----------------|--------------------------------|
| \$ 184,013 | \$ 2,185 | \$ 883,643 |
| - | - | 1,000,000 |
| 194,266 | 41,594 | 860,555 |
| 2,955 | 627 | 20,389 |
| 446 | - | 7,650 |
| - | - | 10,753 |
| \$ 381,680 | \$ 44,406 | \$ 2,782,990 |

| | | |
|-----------|--------|-----------|
| \$ 13,303 | \$ - | \$ 32,370 |
| 17,715 | - | 157,406 |
| 9,127 | - | 55,744 |
| 197,221 | 42,221 | 880,944 |
| 237,366 | 42,221 | 1,126,464 |

| | | |
|------------|-----------|--------------|
| - | - | 9,105 |
| - | - | 250,000 |
| - | - | 480,419 |
| - | - | 80,285 |
| 144,314 | 2,185 | 836,717 |
| 144,314 | 2,185 | 1,656,526 |
| \$ 381,680 | \$ 44,406 | \$ 2,782,990 |

HOWARD SCHOOL DISTRICT NO. 48-3
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

| | |
|--|--------------|
| Total Fund Balances - Governmental Funds | \$ 1,656,526 |
|--|--------------|

Amounts reported for governmental activities in the statement of net assets are different because:

| | | | |
|---|--|---|-------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | The cost of capital assets are Accumulated depreciation is Net | \$ 5,433,639 <u>(2,228,040)</u> 3,205,599 | |
| Long-term liabilities, including bonds payable and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds. | Financing Lease Other Post Employment Benefits Accrued leave payable (vacation) Net | (1,087,655) (89,092) <u>(51,880)</u> | (1,228,627) |
| Assets such as taxes receivable (delinquent) are not available to pay for the current period expenditures, and therefore are deferred in the funds. | Taxes Receivable | <u>880,944</u> | |
| Net Assets-Government Funds | | <u>\$ 4,514,442</u> | |

The accompanying notes are an integral part of these financial statements.

HOWARD SCHOOL DISTRICT NO. 48-3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

| | GENERAL FUND | CAPITAL OUTLAY FUND |
|--|------------------|---------------------------|
| Revenues: | | |
| Revenue from Local Sources: | | |
| Taxes: | | |
| Ad Valorem Taxes | \$ 1,035,299 | \$ 395,643 |
| Prior Years' Ad Valorem Taxes | 3,827 | 532 |
| Gross Receipts Taxes | 136,035 | - |
| Penalties and Interest on Taxes | 2,678 | 573 |
| Revenue from Local Governmental Units Other Than LEAs: | 1,204 | - |
| Earnings on Investments and Deposits | 21,322 | 1,121 |
| Cocurricular Activities: | | |
| Admissions | 28,699 | - |
| Other Pupil Activity Income | 4,696 | - |
| Other Revenue from Local Sources: | | |
| Rentals | 1,802 | - |
| Contributions and Donations | 27,302 | - |
| Charges for Services | 17,764 | - |
| Other | 6,297 | 11,700 |
| Revenue from Intermediate Sources: | | |
| County Sources: | | |
| County Apportionment | 14,638 | - |
| Revenue in Lieu of Taxes | 1,916 | - |
| Revenue from State Sources: | | |
| Grants-in-Aid: | | |
| Unrestricted Grants-in-Aid | 1,097,948 | - |
| Other State Revenue | 1,365 | - |
| Revenue from Federal Sources: | | |
| Grants-in-Aid: | | |
| Restricted Grants-in-Aid Received from Federal Government Through the State | 228,375 | 21,046 |
| Other Federal Revenue | 5,065 | - |
| Total Revenue | 2,636,232 | 430,615 |

The accompanying notes are an integral part of these financial statements.

| SPECIAL EDUCATION FUND | | PENSION FUND | TOTAL GOVERNMENTAL FUNDS | |
|------------------------------|---------|-----------------|--------------------------------|--------------|
| \$ | 397,021 | \$ | 85,017 | \$ 1,912,980 |
| | 976 | | 209 | 5,544 |
| | - | | 177 | 136,212 |
| | 826 | | - | 4,077 |
| | - | | - | 1,204 |
| | 913 | | 39 | 23,395 |
| | - | | - | 28,699 |
| | - | | - | 4,696 |
| | - | | - | 1,802 |
| | 177 | | - | 27,479 |
| | 10,945 | | - | 28,709 |
| | - | | - | 17,997 |
| | - | | - | 14,638 |
| | - | | - | 1,916 |
| | - | | - | 1,097,948 |
| | - | | - | 1,365 |
| | 128,445 | | - | 377,866 |
| | - | | - | 5,065 |
| | 539,303 | | 85,442 | 3,691,592 |

HOWARD SCHOOL DISTRICT NO. 48-3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010

| | GENERAL FUND | CAPITAL OUTLAY FUND |
|--|-----------------|---------------------------|
| Expenditures: | | |
| Instruction: | | |
| Regular Programs: | | |
| Elementary | 653,019 | 25,709 |
| High School | 690,893 | 63,672 |
| Special Programs: | | |
| Programs for Special Education | 104,175 | 143 |
| Support Services: | | |
| Support Services - Pupils: | | |
| Guidance | 75,029 | - |
| Health | 1,400 | - |
| Psychological | - | - |
| Speech Pathology | - | - |
| Student Therapy Services | - | - |
| Support Services - Instructional Staff: | | |
| Improvement of Instruction | 17,373 | - |
| Educational Media | 129,089 | 2,050 |
| Support Services - General Administration: | | |
| Board of Education | 21,305 | - |
| Executive Administration | 87,395 | - |
| Support Services - School Administration: | | |
| Office of the Principal | 195,229 | - |
| Other | 1,104 | - |
| Support Services - Business: | | |
| Fiscal Services | 62,461 | 4,645 |
| Operation and Maintenance of Plant | 309,189 | 36,622 |
| Pupil Transportation | 181,290 | 3,500 |
| Food Services | - | 800 |
| Support Services - Central: | | |
| Staff | 519 | - |
| Support Services - Special Education: | | |
| Administrative Costs | - | - |
| Transportation Costs | - | - |
| Community Services: | | |
| Recreation | 8,530 | - |
| Custody and Care of Children | 8,748 | - |
| Other | 4,847 | - |

The accompanying notes are an integral part of these financial statements.

| SPECIAL EDUCATION FUND | PENSION FUND | TOTAL GOVERNMENTAL FUNDS |
|------------------------------|-----------------|--------------------------------|
| - | 26,802 | 705,530 |
| - | 31,985 | 786,550 |
| 301,947 | - | 406,265 |
| - | 3,758 | 78,787 |
| - | - | 1,400 |
| 27,172 | - | 27,172 |
| 70,355 | - | 70,355 |
| 19,994 | - | 19,994 |
| - | - | 17,373 |
| - | 2,275 | 133,414 |
| - | - | 21,305 |
| - | 4,130 | 91,525 |
| - | 9,442 | 204,671 |
| - | - | 1,104 |
| - | 2,300 | 69,406 |
| - | 2,528 | 348,339 |
| - | - | 184,790 |
| - | - | 800 |
| - | - | 519 |
| 28,606 | - | 28,606 |
| 4,089 | - | 4,089 |
| - | - | 8,530 |
| - | - | 8,748 |
| - | - | 4,847 |

HOWARD SCHOOL DISTRICT NO. 48-3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010

| | GENERAL FUND | CAPITAL OUTLAY FUND |
|--|-----------------|---------------------------|
| Expenditures: | | |
| Nonprogrammed Charges: | | |
| Payments to State- Unemployment | 3,562 | - |
| Debt Services | - | 119,156 |
| Cocurricular Activities: | | |
| Transportation | 10,030 | - |
| Combined Activities | 133,970 | 7,724 |
| Capital Outlay | - | 160,146 |
| Total Expenditures | 2,699,157 | 424,167 |
| Excess of Revenues Over (Under) Expenditures | (62,925) | 6,448 |
| Other Financing Sources (Uses): | | |
| Transfers In | 13,012 | 36,156 |
| Transfers Out | - | (1,121) |
| Sale of Surplus Property | 300 | - |
| Total Other Financing Sources (Uses) | 13,312 | 35,035 |
| Extraordinary Items - (See Note 15) | 18,494 | 5,383 |
| Net Change in Fund Balances | (31,119) | 46,866 |
| Fund Balance - Beginning | 1,326,626 | 167,654 |
| Fund Balance - Ending | \$ 1,295,507 | \$ 214,520 |

The accompanying notes are an integral part of these financial statements.

| SPECIAL EDUCATION FUND | PENSION FUND | TOTAL GOVERNMENTAL FUNDS |
|------------------------------|-----------------|--------------------------------|
| - | - | 3,562 |
| - | - | 119,156 |
| - | - | 10,030 |
| - | - | 141,694 |
| - | - | 160,146 |
| 452,163 | 83,220 | 3,658,707 |
| 87,140 | 2,222 | 32,885 |
| - | - | 49,168 |
| (48,008) | (39) | (49,168) |
| - | - | 300 |
| (48,008) | (39) | 300 |
| 95,161 | - | 119,038 |
| 134,293 | 2,183 | 152,223 |
| 10,021 | 2 | 1,504,303 |
| \$ 144,314 | \$ 2,185 | \$ 1,656,526 |

HOWARD SCHOOL DISTRICT NO. 48-3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES TO THE GOVERNMENT-WIDE STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Total net change in fund balances - governmental funds \$ 152,223

Amounts reported for governmental activities in the statement of activities are different because:

| | | | |
|--|---|--|-----------------|
| <p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period.</p> | <p>Capital Outlays Depreciation Expense Net</p> | <p>\$ 160,146 <u>(172,146)</u></p> | <p>(12,000)</p> |
|--|---|--|-----------------|

| | | | |
|---|------------------------|---------------|--|
| <p>Payment of principal on long-term debt is an expenditure in the government funds but the payment reduces long-term liabilities in the statement of assets.</p> | <p>Financing Lease</p> | <p>66,480</p> | |
|---|------------------------|---------------|--|

| | | | |
|--|--|--------------|--|
| <p>In the statement of activities, gains \$ 0 and losses \$ 548 on the fund statements, but is reported as a program governmental funds, the proceeds \$300 from the gain or loss is realized. (+gains, -losses, -proceeds=amount)</p> | | <p>(848)</p> | |
|--|--|--------------|--|

| | | | |
|--|---|-------------------------------------|---------------|
| <p>The fund financial statement governmental fund property tax accruals differ from the government wide statement property tax accruals in that the fund financial statements require the amounts to be "available".</p> | <p>Taxes - Current July-December 2009 Net</p> | <p>860,555 <u>(825,500)</u></p> | <p>35,055</p> |
|--|---|-------------------------------------|---------------|

| | | | |
|--|---|------------------------------------|------------------------|
| <p>Governmental funds recognize expenditures for amounts of compensated absences and early retirement benefits actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits or elect to retire early.</p> | <p>Sick Leave Other postemployment benefits</p> | <p>(4,180) <u>(89,092)</u></p> | <p><u>(93,272)</u></p> |
|--|---|------------------------------------|------------------------|

| | |
|--|--------------------------|
| <p>Change in net assets of governmental activities</p> | <p><u>\$ 147,638</u></p> |
|--|--------------------------|

The accompanying notes are an integral part of these financial statements.

HOWARD SCHOOL DISTRICT NO. 48-3
BALANCE SHEET
PROPRIETARY FUND
JUNE 30, 2010

| | ENTERPRISE FUND FOOD SERVICE FUND |
|--|---|
| ASSETS: | |
| Current Assets: | |
| Cash and Cash Equivalents | \$ 19,509 |
| Accounts Receivable | 6,632 |
| Inventory of Stores Purchased for Resale | 2,285 |
| Inventory of Donated Foods | 860 |
| Total Current Assets | <u>29,286</u> |
| Capital Assets: | |
| Machinery and Equipment - Local Funds | 38,215 |
| Less: Accumulated Depreciation | <u>(19,317)</u> |
| Total Noncurrent Assets | <u>18,898</u> |
| TOTAL ASSETS | <u><u>\$ 48,184</u></u> |
| LIABILITIES: | |
| Current Liabilities: | |
| Accounts Payable | \$ - |
| Payroll Deductions and Withholdings and Employer Matching Payable | 3,417 |
| Deferred Revenue | <u>4,000</u> |
| Total Current Liabilities | <u>7,417</u> |
| NET ASSETS: | |
| Invested in Capital Assets | 18,898 |
| Unrestricted Net Assets | <u>21,869</u> |
| Total Net Assets | <u>40,767</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 48,184</u></u> |

The accompanying notes are an integral part of these financial statements.

HOWARD SCHOOL DISTRICT NO. 48-3
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2010

| | ENTERPRISE FUND FOOD SERVICE FUND |
|--------------------------------|---|
| Operating Revenue: | |
| Sales: | |
| To Pupils | \$ 93,596 |
| To Adults | 10,681 |
| A la Carte | 2,506 |
| Total Operating Revenue | <u>106,783</u> |
| Operating Expenses: | |
| Food Service: | |
| Salaries | 67,844 |
| Employee Benefits | 21,533 |
| Purchased Services | 2,196 |
| Supplies | 3,219 |
| Cost of Sales - Purchased Food | 74,808 |
| Cost of Sales - Donated Food | 12,091 |
| Miscellaneous | 989 |
| Depreciation - Local Funds | 3,185 |
| Total Operating Expenses | <u>185,865</u> |
| Operating Loss | <u>(79,082)</u> |
| Nonoperating Revenue: | |
| Investment Earnings | 187 |
| State Sources: | |
| Cash Reimbursements | 1,084 |
| Federal Sources: | |
| Cash Reimbursements | 66,082 |
| Donated Food | 10,933 |
| Total Nonoperating Revenue | <u>78,286</u> |
| Change in Net Assets | (796) |
| Net Assets - Beginning | <u>41,563</u> |
| Net Assets - Ending | <u>\$ 40,767</u> |

The accompanying notes are an integral part of these financial statements.

HOWARD SCHOOL DISTRICT NO. 48-3
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2010

| | ENTERPRISE FUNDS FOOD SERVICE FUND |
|---|--|
| Cash Flows from Operating Activities: | |
| Receipts from Customers | \$ 104,747 |
| Payments to Suppliers | (82,799) |
| Payments to Employees | (87,650) |
| | <u>(65,702)</u> |
| Net Cash Used by Operating Activities | |
| Cash Flows from Noncapital Financing Activities: | |
| Cash Reimbursements - State | 1,084 |
| Cash Reimbursements - Federal | 66,082 |
| | <u>67,166</u> |
| Net Cash Flows from Noncapital Financing Activities | |
| Cash Flows from Investing Activities: | |
| Cash Received for Interest | 187 |
| | <u>187</u> |
| Net Cash Provided by Investing Activities | |
| Net Increase in Cash and Cash Equivalents | <u>\$ 1,651</u> |
| Cash and Cash Equivalents at Beginning of Year | \$ 17,858 |
| Cash and Cash Equivalents at End of Year | <u>19,509</u> |
| Net Increase in Cash and Cash Equivalents | <u>\$ 1,651</u> |
| Reconciliation of Operating Loss to Net Cash Used by Operating Activities: | |
| Operating Loss | \$ (79,082) |
| Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities: | |
| Depreciation Expense | 3,185 |
| Noncash Cost of Sales - Commodities | 12,091 |
| Change in Assets and Liabilities: | |
| Accounts Receivable | (6,036) |
| Inventories | (132) |
| Accounts and Other Payables | 272 |
| Deferred Revenue | 4,000 |
| Net Cash Used by Operating Activities | <u>\$ (65,702)</u> |
| Noncash Investing, Capital and Financing Activities: | |
| Value of Commodities Received | <u>\$ 10,933</u> |

The accompanying notes are an integral part of these financial statements.

HOWARD SCHOOL DISTRICT NO. 48-3
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

| | PRIVATE PURPOSE TRUST FUND | AGENCY FUNDS |
|---|-------------------------------|-------------------|
| ASSETS: | | |
| Cash and Cash Equivalents | \$ 20,332 | \$ 120,008 |
| TOTAL ASSETS | \$ 20,332 | \$ 120,008 |
| LIABILITIES: | | |
| Due to Other Fund | \$ - | \$ 2,000 |
| Amounts Held for Others | - | 118,008 |
| TOTAL LIABILITIES | - | 120,008 |
| NET ASSETS: | | |
| Held in Trust for School Scholarship | 20,332 | - |
| TOTAL LIABILITIES AND NET ASSETS | \$ 20,332 | \$ 120,008 |

The accompanying notes are an integral part of these financial statements.

HOWARD SCHOOL DISTRICT NO.48-3
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

| | <u>PRIVATE-PURPOSE TRUST FUNDS</u> |
|-----------------------------------|--|
| ADDITIONS: | |
| Other Additions | <u>\$ 1,000</u> |
| Total Additions | <u>1,000</u> |
| DEDUCTIONS: | |
| Trust Deductions for Scholarships | <u>1,000</u> |
| Total Deductions | <u>1,000</u> |
| Change in Net Assets | - |
| NET ASSETS - BEGINNING | <u>20,332</u> |
| NET ASSETS - ENDING | <u><u>\$ 20,332</u></u> |

The accompanying notes are an integral part of these financial statements.

HOWARD SCHOOL DISTRICT NO. 48-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Financial Reporting Entity:

The reporting entity of Howard School District No. 48-3, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the School District (primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District. The School District has no component units.

The School District participates in a cooperative service unit with several other school districts. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the School District.

The accounting policies of the School District conform to generally accepted accounting principles as applicable to governments.

b. Basis of Presentation:

Government-wide Financial Statements: The Statement of Net Assets and the Statement of Activities display information about the reporting entity as a whole. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish between the governmental and business-type activities of the School District. Governmental activities generally are financed through taxes, intergovernmental

HOWARD SCHOOL DISTRICT NO. 48-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

b. Basis of Presentation: (cont'd)

revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Assets reports all financial and capital resources, in a net assets form (assets minus liabilities equal net assets). Net assets are displayed in three components, as applicable, invested in capital assets, net of related debt, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or

HOWARD SCHOOL DISTRICT NO. 48-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

b. Basis of Presentation: (cont'd)

3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the School District financial reporting entity are described below within their respective fund types:

Governmental Funds:

General Fund - A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the School District, excluding Capital Outlay Fund and Special Education Fund expenditures. The General Fund is always a major fund.

Special Revenue Fund Types - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Outlay Fund: A fund established by SDCL 13-16-6 to meet expenditures which result in the lease of, acquisition of or additions to real property, plant or equipment, textbooks and instructional software. This fund is financed by property taxes. This is a major fund.

Special Education Fund: A fund established by SDCL 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance who reside within the district. This fund is financed by grants and property taxes. This is a major fund.

Pension Fund: A fund established by SDCL 13-10-6 for the purpose of paying pensions to retired employees of school districts, which have established such systems, paying the District's share of retirement plan contributions, and for funding early retirement benefits to qualifying employees. This fund is financed by property taxes. This is a major fund.

HOWARD SCHOOL DISTRICT NO. 48-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

b. Basis of Presentation: (cont'd)

Proprietary Funds:

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Food Service Fund: A fund used to record financial transactions related to food service operations. This fund is financed by user charges and grants. This is a major fund.

Fiduciary Funds:

Fiduciary Funds are never considered to be major funds.

Private-Purpose Trust Fund Types - Private-purpose trust funds are used to account for all other trust arrangements under which principal and income, benefit individuals, private organizations, or other governments. The School District maintains only the following private-purpose trust fund: Selix Scholarship Trust Fund and its purpose is scholarships.

Agency Funds - Agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains several agency funds for various class years, clubs, athletic teams which account for the monies earned for the various class, club or team projects.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

HOWARD SCHOOL DISTRICT NO. 48-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

c. Measurement Focus and Basis of Accounting: (cont'd)

Measurement Focus:

Government-Wide Financial Statements: In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements: In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary funds.

Basis of Accounting:

Government-Wide Financial Statements: In the government-wide Statement of Net Assets and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements: All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Howard School District No. 48-3, the length of that cycle is sixty days.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary and fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

The business-type activities and enterprise funds do not apply any FASB Statements and Interpretations issued after November 30, 1989.

HOWARD SCHOOL DISTRICT NO. 48-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

d. Interfund Eliminations and Reclassifications:

Government-Wide Financial Statements: In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.

Fund Financial Statements: Noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by a fund balance reserve account which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of interfund receivables (reported in "due from" asset accounts) are considered "available spendable resources."

e. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Financial Statements: All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at the estimated fair value on the date donated.

Interest costs incurred during construction of general capital assets are not capitalized along with other capital asset costs.

The total June 30, 2010 balance of capital assets for governmental activities includes approximately less than one percent for which the costs were determined by estimates of the original costs. These estimated original costs were established by appraisals or deflated current replacement cost. The total June 30, 2010 balance of capital assets for business-type activities are all valued at original cost.

HOWARD SCHOOL DISTRICT NO. 48-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

e. Capital Assets: (cont'd)

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Assets. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

| | Capitalization Threshold | Depreciation Method | Estimated Useful Life |
|-------------------------|-----------------------------|------------------------|--------------------------|
| Land | \$ -- | -- | -- |
| Land Improvements | \$ 15,000 | Straight-line | 20 yrs. |
| Buildings | \$ 50,000 | Straight-line | 50 yrs. |
| Machinery and Equipment | \$ 5,000 | Straight-line | 4-20 yrs. |

Land, an inexhaustible capital asset, is not depreciated.

Fund Financial Statements: In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

f. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of compensated absences, and capital outlay certificates payable.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources) and payment of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as it is in the government-wide statements.

HOWARD SCHOOL DISTRICT NO. 48-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

g. Program Revenues:

In the government-wide Statement of Activities, reported program revenues derive directly from the program itself or from parties other than the School District's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions - These arise from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions - These arise from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Fund Net Assets expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

i. Accumulated Unpaid Vacation and Sick Leave:

Annual leave for eligible employees is earned at the rate of zero to 15 days per year depending on the position. Upon termination, employees are not entitled to receive compensation for their accrued annual leave balance.

Sick leave is earned by the employees at varying rates depending on position. Upon termination, certified staff and the business manager are entitled to reimbursement of unused sick leave up to 90 days at \$40 a day or a \$3,600 maximum.

HOWARD SCHOOL DISTRICT NO. 48-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

j. Deferred Revenue:

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

k. Cash and Cash Equivalents:

The School District pools its cash resources for depositing and investing purposes. The enterprise funds have access to their cash resources on demand. Accordingly, all reported deposit and investment balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows.

l. Equity Classifications:

Government-Wide Financial Statements: Equity is classified as net assets and is displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements: Governmental fund equity is classified as fund balance, and may distinguish between "Reserved" and "Unreserved" components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net assets held in trust for other purposes.

HOWARD SCHOOL DISTRICT NO. 48-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

m. Application of Net Assets:

It is the School District's policy to first use restricted net assets, prior to the use of unrestricted net assets, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

n. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK:

The School District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The School District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments - In general, SDCL 4-5-6 permits school funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-end, no-load fund administered by an investment company whose investments are in

HOWARD SCHOOL DISTRICT NO. 48-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK: (CONT'D)

securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Interest Rate Risk - The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State law limits eligible investments for the School District, as discussed above. The School District has no investment policy that would further limit its investment choices. As of June 30, 2010, the School District's investment in the SD FIT pool was unrated.

Concentration of Credit Risk - The School District places no limit on the amount that may be invested in any one issuer. All of the School District's investments are in South Dakota Public Investment Trust (SDFIT).

The investments at June 30, 2010 were as follows:

| | |
|-----------------------------------|-------------------|
| | Fair Value |
| External Investment Pools - SDFIT | <u>\$ 360,396</u> |

Investments are stated at fair value.

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing purposes. It is regulated by a nine member board with representation from municipalities, school districts and counties.

The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The District's policy is to credit all income from deposits and investments to the General Fund. United States generally accepted accounting principles, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of

HOWARD SCHOOL DISTRICT NO. 48-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK: (CONT'D)

investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing. It is regulated by a nine-member board with representation from municipalities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

3. INVENTORY:

Inventory is stated at the lower of cost or market. The cost valuation method is consumption. Donated commodities are valued at estimated market value based on the USDA price list on the date of receipt.

In the government-wide financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the fund financial statements, inventories in the General Fund and Special Revenue Funds consist of expendable supplies held for consumption.

The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Inventories in the amount \$10,753 were on hand at June 30, 2010 for the governmental funds.

4. PROPERTY TAX:

Property taxes are levied on or before each October 1, attach as an enforceable lien on property, and become due and payable as of the following January 1, and are payable in two installments on or before the following April 30 and October 31. The county bills and collects the School District's taxes and remits them to the School District.

HOWARD SCHOOL DISTRICT NO. 48-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

4. PROPERTY TAX: (CONT'D)

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is intended to be used to finance the current year's appropriations, but which will not be collected during the current fiscal year or within the "availability period" has been deferred in the fund financial statements. Property tax revenues intended to finance the current year's appropriations, and therefore susceptible to accrual, has been reported as revenue in the government-wide financial statements, even though collection will occur in a future fiscal year.

5. RECEIVABLES:

Receivables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year.

Amounts due from other governments include reimbursements for various programs. These amounts include \$7,650 due from the federal government.

6. CHANGES IN CAPITAL ASSETS:

A summary of changes in capital assets for the fiscal year ended June 30, 2010 is as follows:

Primary Government

| | Balance 7/01/09 | Increases | Decreases | Balance 6/30/10 |
|---|--------------------|--------------|--------------|--------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 19,725 | \$ -- | \$ -- | \$ 19,725 |
| Total not being Depreciated | <u>\$ 19,725</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 19,725</u> |

HOWARD SCHOOL DISTRICT NO. 48-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

6. CHANGES IN CAPITAL ASSETS: (CONT'D)

| | Balance 7/01/09 | Increases | Decreases | Balance 6/30/10 |
|---|---------------------|--------------------|---------------|---------------------|
| Capital assets, being depreciated: | | | | |
| Buildings | 3,944,727 | -- | -- | 3,944,727 |
| Improvements other than Buildings | 137,227 | 53,374 | 55,918 | 190,601 |
| Machinery and Equipment | 1,227,732 | 106,772 | -- | 1,278,586 |
| Totals | <u>5,309,686</u> | <u>160,146</u> | <u>55,918</u> | <u>5,413,914</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,366,505 | 90,801 | -- | 1,457,306 |
| Improvements other than buildings | 97,579 | 7,103 | -- | 104,682 |
| Machinery and Equipment | <u>646,880</u> | <u>74,242</u> | <u>55,070</u> | <u>666,052</u> |
| Total accumulated depreciation | <u>2,110,964</u> | <u>172,146</u> | <u>55,070</u> | <u>2,228,040</u> |
| Total capital assets, being depreciated, net | <u>3,198,722</u> | <u>(12,000)</u> | <u>848</u> | <u>3,185,874</u> |
| Governmental activity capital assets, net | <u>\$ 3,218,447</u> | <u>\$ (12,000)</u> | <u>\$ 848</u> | <u>\$ 3,205,599</u> |

Depreciation expense was charged to functions as follows:

| | |
|--|-------------------|
| Governmental activities: | |
| Instruction | \$ 103,984 |
| Support Services | 45,346 |
| Cocurricular activities | 22,816 |
| Total depreciation expense-governmental activities | <u>\$ 172,146</u> |

HOWARD SCHOOL DISTRICT NO. 48-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

6. CHANGES IN CAPITAL ASSETS: (CONT'D)

| | Balance 7/01/09 | Increases | Decreases | Balance 6/30/10 |
|---|--------------------|-------------------|--------------|--------------------|
| Business-type activities: | | | | |
| Capital assets, being depreciated: | | | | |
| Machinery and Equipment | \$ 38,215 | \$ -- | \$ -- | \$ 38,215 |
| Totals | <u>38,215</u> | <u>--</u> | <u>--</u> | <u>38,215</u> |
| Less accumulated depreciation for: | | | | |
| Machinery and Equipment | 16,132 | 3,185 | -- | 19,317 |
| Total accumulated depreciation | <u>16,132</u> | <u>3,185</u> | <u>--</u> | <u>19,317</u> |
| Total capital assets, being depreciated, net | <u>22,083</u> | <u>(3,185)</u> | <u>--</u> | <u>18,898</u> |
| Business-type activity capital assets, net | <u>\$ 22,083</u> | <u>\$ (3,185)</u> | <u>\$ --</u> | <u>\$ 18,898</u> |
| Depreciation expense was charged to functions as follows: | | | | |
| Business-type activities: | | | | |
| Food Service | | | | <u>\$ 3,185</u> |

7. LONG-TERM LIABILITIES:

A summary of changes in long-term debt follows:

| | Balance 7/01/09 | Increases | Decreases | Balance 6/30/10 | Amount Due Within One Year |
|-------------------------|---------------------|------------------|------------------|--------------------|----------------------------------|
| Governmental Activities | | | | | |
| Financing Lease | \$ 1,154,135 | \$ -- | \$ 66,480 | \$1,087,655 | \$ 69,594 |
| Compensated Absences | 47,700 | 18,950 | 14,770 | 51,880 | 5,000 |
| | <u>\$ 1,201,835</u> | <u>\$ 18,950</u> | <u>\$ 81,250</u> | <u>\$1,139,535</u> | <u>\$ 74,594</u> |

HOWARD SCHOOL DISTRICT NO. 48-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

7. LONG-TERM LIABILITIES: (CONT'D)

Compensated absences for governmental activities have been liquidated from the General and Special Education Fund.

Debt Payable at June 30, 2010 is comprised of the following:

Financing Lease:

The School District enter into a Lease-Purchase Agreement with Wells-Fargo to fund the HVAC upgrade project began in FY 07 and completed in FY 08. Costs funded were \$1,268,736 at 4.63% with repayment scheduled at 30 payments, 2 per year, over a 15 year period.

\$ 1,087,655

Compensated Absences \$ 51,880

The annual requirements to amortize the financing lease outstanding at June 30, 2010, are as follows:

| | | Capital Outlay Certificates | | Total |
|-----------|----|--------------------------------|-------------------|---------------------|
| | | <u>Principal</u> | <u>Interest</u> | |
| 2011 | \$ | 69,594 | \$ 49,562 | \$ 119,156 |
| 2012 | | 72,853 | 46,303 | 119,156 |
| 2013 | | 76,265 | 42,891 | 119,156 |
| 2014 | | 79,837 | 39,319 | 119,156 |
| 2015 | | 83,576 | 35,579 | 119,155 |
| 2016-2020 | | 480,398 | 115,383 | 595,781 |
| 2021-2022 | | 225,132 | 13,178 | 238,310 |
| TOTALS | | <u>\$ 1,087,655</u> | <u>\$ 342,215</u> | <u>\$ 1,429,870</u> |

HOWARD SCHOOL DISTRICT NO. 48-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

8. OPERATIONAL AGREEMENTS:

The School District entered into a four-year operational agreement with the Shannon Colony on July 30, 2008, expiring in the 2011-2012 school year. The agreement contains various covenants and restrictions. Shannon Colony will fund the difference between operating costs incurred by the School District and the contribution provided by the School District to rent the facilities and the revenue allowed per student as established by the legislature.

9. INTERFUND BALANCES AND ACTIVITY:

Interfund receivable and payable balances at June 30, 2010 consist of the following for loans for operations:

Transfers to/from other funds at June 30, 2010, consist of the following:

| | |
|-----------------|--|
| \$ 2,073 | Transfers from the other governmental funds to the General Fund for income earned on deposits. |
| <u>47,095</u> | Transfers from Special Education to other funds per House Bill 1020. |
| <u>\$49,168</u> | |

10. RESTRICTED NET ASSETS:

The following table shows the net assets restricted for other purposes as shown on the Statement of Net Assets:

| <u>Fund</u> | <u>Restricted By</u> | <u>Amount</u> |
|-------------------|-----------------------------|-------------------|
| Capital Outlay | Law | \$ 214,520 |
| Special Education | Law | 144,314 |
| Food Service | Federal Regulations | 21,869 |
| Pension | Law | <u>2,185</u> |
| | Total Restricted Net Assets | <u>\$ 382,888</u> |

HOWARD SCHOOL DISTRICT NO. 48-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

11. DESIGNATED FUND BALANCE:

As authorized by SDCL 13-11-2, the school board has determined that year-end minimum unreserved fund balance of \$250,000 is necessary to protect the school district's cash liquidity for July 1, through mid-November of the subsequent fiscal year. This amount is reported as Unreserved Fund Balance Designated for Cash Flow Funding in the affected fund.

12. RETIREMENT PLAN:

All employees, except for board members and employees that work less than 20 hours per week, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12.

The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution and to also make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for Social Security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$126,186 \$122,591, and \$117,384, (employer's share) respectively, equal to the required contributions each year.

HOWARD SCHOOL DISTRICT NO. 48-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

13. JOINT VENTURES:

The School District participates in the Prairie Lakes Educational Cooperative, a cooperative service unit (co-op) formed for the purpose of providing special education services and fiscal management services to the member school districts.

The members of the co-op and their relative percentage participation in the co-op are as follows:

| | |
|--|--------|
| Baltic School District No. 49-1 | 7.50% |
| Chester Area School District No. 39-1 | 5.74% |
| Colman-Egan School District No. 50-5 | 4.50% |
| Dell Rapids School District No. 49-3 | 18.51% |
| Flandreau School District No. 50-3 | 14.98% |
| Garretson School District No. 49-4 | 6.00% |
| Howard School District No. 48-3 | 9.00% |
| Madison Central School District No. 39-2 | 15.00% |
| Oldham-Ramona School District No. 39-5 | 3.00% |
| Rutland School District No. 39-4 | 1.50% |
| Tri-Valley School District No. 49-6 | 14.27% |

The co-op's governing board is composed of one representative from each member school district, who is a School Board member. The board is responsible for adopting the co-op's budget and setting service fees at a level adequate to fund the adopted budget.

The School District retains no equity in the net assets of the co-op, but does have a responsibility to fund deficits of the co-op in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from Prairie Lakes Educational Cooperative.

At June 30, 2010, this joint venture had total assets of \$99,534, total liabilities of \$45,861 and net assets of \$53,673.

14. RISK MANAGEMENT:

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2010, the School District managed its risks as follows:

HOWARD SCHOOL DISTRICT NO. 48-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

14. RISK MANAGEMENT: (CONT'D)

Health Insurance

The School District purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage for the past several years.

Unemployment Benefits

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. The School District has equity in the General Fund in the amount of, \$80,285 for the payment of future unemployment benefits. During the year ended June 30, 2010, there were no claims for unemployment benefits and none are anticipated in the next fiscal year.

Liability Insurance

The School District purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage for the past several years.

Workmen's Compensation

The School District purchases liability insurance for workmen's compensation from a commercial carrier.

15. OTHER MATTERS:

The School Board adopted a resolution to declare an opt-out on the property tax freeze in the amount of \$225,000 per year for a five year period. The resolution was referred to a public vote on June 15, 2004 and the voters approved the opt-out.

Carthage School District dissolved as of June 30, 2009 and distributed its remaining funds to various neighboring school districts. From this dissolution, Howard School received \$110,282 which was allocated between the General, Capital Outlay and Special Education Funds. This allocation is reported as Extraordinary Items on the Statement of Activities and the Statements of Revenues, Expenditures, and Changes in Fund Balance.

The South Dakota School's Group Insurance had a balance of funds made from investment of premiums, better than anticipated claim loss revenue. The balance was divided among the participating schools according to the number of policy subscribers from each school. The school received \$8,756. This is most likely a one-time occurrence. This allocation is reported as Extraordinary Items on the Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balance.

HOWARD SCHOOL DISTRICT NO. 48-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

16. OTHER POSTEMPLOYMENT BENEFITS:

The Howard School District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions, for the fiscal year ended June 30, 2010. This implementation allows the District to report its liability for other postemployment benefits consistent with newly established generally accepted accounting principles and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees in the financial statements.

Plan description

The Howard School District Other Postemployment Benefits Plan is a single employer defined benefit OPEB plan. The district provides medical coverage to retired employees and their dependants under certain conditions in accordance with SDCL 6-1-16 and 13-10-3. An eligible employee can elect medical coverage upon retiring under the South Dakota Retirement System which requires age 55 and 30 years of service. Benefits continue until age 65. Spouses may continue until age 65 if the retiree is currently covered. Retirees continue under the same medical and prescription drug plan as active employees. As the valuation of June 30, 2009, there were 61 active and 5 retirees covered by the plan.

Funding policy

The District funds the other post retirement benefits on a pay-as-you-go basis. Because the District does not use a trust fund to administer the financing of other postemployment benefits, no separate financial statements are required. The retired employees monthly contributions are based on 100% of the full active employee premium rate.

Annual OPEB cost and net OPEB obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize and unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB costs for the year ended June 30, 2010, changes in the District's net OPEB obligation, and the percentage of the annual OPEB cost contributed to the plan.

HOWARD SCHOOL DISTRICT NO. 48-3
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

16. OTHER POSTEMPLOYMENT BENEFITS: (CONT'D)

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Annual required contribution | \$ 67,583 |
| Interest on net OPEB obligation | 2,001 |
| Adjustment to annual OPEB obligation | <u>(2,946)</u> |
| Annual OPEB cost (expense) | 66,638 |
| Contributions made | <u>(27,583)</u> |
| Increase in net OPEB obligation | 39,055 |
| OPEB obligation - beginning | <u>50,037</u> |
| OPEB obligation - ending | <u>\$ 89,092</u> |
| Percentage of annual OPEB cost contribution | <u>41.78%</u> |

Funded Status

As of June 30, 2010 the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the District's unfunded actuarial accrued liability (UAAL) was \$465,584.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, such as assumptions about future terminations, morality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past experience and new estimates are made about the future.

Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the June 30, 2010 actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions included a 4% per annum, compounded annually discount rate, mortality rates from RP-mortality tables for healthy annuitants and employees for males and females with generational projection, withdrawal rates ranging from 18.20% to 2.3% from ages 25-55, retirement rates ranging from 8%-100% from ages 55-70, spouses' husbands and wives are the same age, 30% of members are assumed to have spouses who elect coverage, 2% per year price inflation, 4% payroll growth assumption, 25% of members are assumed to elect coverage upon retirement, health care cost trend rate range from 9.3% to 4.70%, and a specified amount for retiree monthly claim cost.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
HOWARD SCHOOL DISTRICT NO. 48-3
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

| | BUDGETED AMOUNTS | |
|---|------------------|------------------|
| | ORIGINAL | FINAL |
| Revenues: | | |
| Revenue from Local Sources: | | |
| Taxes: | | |
| Ad Valorem Taxes | \$ 955,205 | \$ 955,205 |
| Prior Years' Ad Valorem Taxes | 2,500 | 2,500 |
| Gross Receipts Taxes | 133,545 | 133,545 |
| Penalties and Interest on Taxes | 2,000 | 2,000 |
| Revenue from Local Governmental Units Other Than LEAs: | | |
| Revenue in Lieu of Taxes | 1,200 | 1,200 |
| Earnings on Investments and Deposits | 30,000 | 30,000 |
| Cocurricular Activities: | | |
| Admissions | 27,300 | 27,300 |
| Other Pupil Activity Income | 4,000 | 4,000 |
| Other Revenue from Local Sources: | | |
| Rentals | 1,500 | 1,500 |
| Contributions and Donations | 22,650 | 22,650 |
| Charges for Services | 12,000 | 12,000 |
| Other | 6,600 | 6,600 |
| Revenue from Intermediate Sources: | | |
| County Sources: | | |
| County Apportionment | 10,000 | 10,000 |
| Revenue in Lieu of Taxes | 1,400 | 1,400 |
| Revenue from State Sources: | | |
| Grants-in-Aid: | | |
| Unrestricted Grants-in-Aid | 1,109,030 | 1,109,030 |
| Other State Revenue | 1,000 | 1,000 |
| Revenue from Federal Sources: | | |
| Grants-in-Aid: | | |
| Restricted Grants-in-Aid Received from Federal Government Through the State | 238,335 | 238,335 |
| Other Federal Revenue | - | - |
| Total Revenue | 2,558,265 | 2,558,265 |

The accompanying notes are an integral part of these financial statements.

| ACTUAL AMOUNTS (BUDGETARY BASIS) | VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE) |
|-------------------------------------|---|
|-------------------------------------|---|

| | | | |
|----|-----------|----|----------|
| \$ | 1,035,299 | \$ | 80,094 |
| | 3,827 | | 1,327 |
| | 136,035 | | 2,490 |
| | 2,678 | | 678 |
| | 1,204 | | 4 |
| | 21,322 | | (8,678) |
| | 28,699 | | 1,399 |
| | 4,696 | | 696 |
| | 1,802 | | 302 |
| | 27,302 | | 4,652 |
| | 17,764 | | 5,764 |
| | 6,297 | | (303) |
| | 14,638 | | 4,638 |
| | 1,916 | | 516 |
| | 1,097,948 | | (11,082) |
| | 1,365 | | 365 |
| | 228,375 | | (9,960) |
| | 5,065 | | 5,065 |
| | 2,636,232 | | 77,967 |

REQUIRED SUPPLEMENTARY INFORMATION
HOWARD SCHOOL DISTRICT NO. 48-3
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - BUDGETARY BASIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010

| | BUDGETED AMOUNTS | |
|--|------------------|---------|
| | ORIGINAL | FINAL |
| Expenditures: | | |
| Instruction: | | |
| Regular Programs: | | |
| Elementary | 677,358 | 677,358 |
| High School | 700,887 | 701,312 |
| Special Programs: | | |
| Educationally Deprived | 100,204 | 104,204 |
| Other Special Programs | 5,500 | 5,500 |
| Support Services: | | |
| Support Services - Pupils: | | |
| Guidance | 76,482 | 76,482 |
| Health | 1,400 | 1,400 |
| Support Services - Instructional Staff: | | |
| Improvement of Instruction | 19,457 | 19,457 |
| Educational Media | 133,857 | 134,657 |
| Support Services - General Administration: | | |
| Board of Education | 29,270 | 30,070 |
| Executive Administration | 93,545 | 93,545 |
| Support Services - School Administration: | | |
| Office of the Principal | 198,565 | 198,565 |
| Other | 1,100 | 1,105 |
| Support Services - Business: | | |
| Fiscal Services | 64,650 | 64,650 |
| Operation and Maintenance of Plant | 367,952 | 367,952 |
| Pupil Transportation | 202,940 | 202,940 |
| Support Services - Central: | | |
| Staff | 500 | 525 |
| Community Services: | | |
| Recreation | 823 | 8,533 |
| Custody and Care of Children | 12,650 | 12,650 |
| Other | 4,000 | 4,950 |
| Nonprogrammed Charges: | | |
| Payments to State - Unemployment | 2,500 | 3,565 |
| Cocurricular Activities: | | |
| Transportation | 10,094 | 10,094 |
| Combined Activities | 137,085 | 137,085 |

The accompanying notes are an integral part of these financial statements.

| ACTUAL AMOUNTS (BUDGETARY BASIS) | VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE) |
|-------------------------------------|---|
|-------------------------------------|---|

| | |
|---------|--------|
| 653,019 | 24,339 |
| 690,893 | 10,419 |

| | |
|---------|-------|
| 104,175 | 29 |
| - | 5,500 |

| | |
|--------|-------|
| 75,029 | 1,453 |
| 1,400 | - |

| | |
|---------|-------|
| 17,373 | 2,084 |
| 129,089 | 5,568 |

| | |
|--------|-------|
| 21,305 | 8,765 |
| 87,395 | 6,150 |

| | |
|---------|-------|
| 195,229 | 3,336 |
| 1,104 | 1 |

| | |
|---------|--------|
| 62,461 | 2,189 |
| 309,189 | 58,763 |
| 181,290 | 21,650 |

| | |
|-----|---|
| 519 | 6 |
|-----|---|

| | |
|-------|-------|
| 8,530 | 3 |
| 8,748 | 3,902 |
| 4,847 | 103 |

| | |
|-------|---|
| 3,562 | 3 |
|-------|---|

| | |
|---------|-------|
| 10,030 | 64 |
| 133,970 | 3,115 |

REQUIRED SUPPLEMENTARY INFORMATION
HOWARD SCHOOL DISTRICT NO. 48-3
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - BUDGETARY BASIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2010

| | BUDGETED AMOUNTS | |
|---|---------------------|---------------------|
| | ORIGINAL | FINAL |
| Expenditures: | | |
| Contingencies | 20,000 | 17,420 |
| Amount Transferred | - | - |
| Total Expenditures | 2,860,819 | 2,874,019 |
| Excess of Revenue Over (Under) Expenditures | (302,554) | (315,754) |
| Other Financing Sources: | | |
| Transfers In | 13,957 | 13,957 |
| Transfers Out | - | - |
| Sale of Surplus Property | - | - |
| Total Other Financing Sources | 13,957 | 13,957 |
| Extraordinary Items - (Note 15) | - | - |
| Net Change in Fund Balances | (288,597) | (301,797) |
| Fund Balance - Beginning | 1,326,626 | 1,326,626 |
| Fund Balance - Ending | <u>\$ 1,038,029</u> | <u>\$ 1,024,829</u> |

The accompanying notes are an integral part of these financial statements.

| ACTUAL AMOUNTS (BUDGETARY BASIS) | VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE) |
|-------------------------------------|---|
| - | 17,420 |
| - | - |
| 2,699,157 | 174,862 |
| (62,925) | 252,829 |
| 16,030 | 2,073 |
| (3,018) | (3,018) |
| 300 | 300 |
| 13,312 | (645) |
| 18,494 | 18,494 |
| (31,119) | 270,678 |
| 1,326,626 | - |
| \$ 1,295,507 | 270,678 |

REQUIRED SUPPLEMENTARY INFORMATION
HOWARD SCHOOL DISTRICT NO. 48-3
BUDGETARY COMPARISON SCHEDULE
CAPITAL OUTLAY FUND - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

| | BUDGETED AMOUNTS | |
|---|------------------|------------|
| | ORIGINAL | FINAL |
| Revenues: | | |
| Revenue from Local Sources: | | |
| Taxes: | | |
| Ad Valorem Taxes | \$ 358,000 | \$ 358,000 |
| Prior Years' Ad Valorem Taxes | 500 | 500 |
| Penalties and Interest on Taxes | 500 | 500 |
| Earnings on Investments and Deposits | - | - |
| Other Revenue from Local Sources | 20,000 | 20,000 |
| Revenue from Federal Sources: | | |
| Grants-in-Aid: | | |
| Restricted Grants-in-Aid Received from Federal Government Through the State | - | - |
| Total Revenue | 379,000 | 379,000 |
| Expenditures: | | |
| Instruction: | | |
| Regular Programs: | | |
| Elementary | 33,377 | 33,377 |
| High School | 68,570 | 69,085 |
| Special Programs: | | |
| Programs for Special Education | 10,848 | 10,848 |
| Support Services - Instructional Staff: | | |
| Educational Media | 12,075 | 12,075 |
| Support Services - School Administration: | | |
| Office of the Principal | 585 | 585 |
| Support Services - Business: | | |
| Fiscal Services | 4,530 | 4,650 |
| Operation and Maintenance of Plant | 118,110 | 118,110 |
| Pupil Transportation | 3,500 | 78,500 |
| Food Services | 800 | 800 |
| Debt Services | 119,160 | 119,160 |
| Cocurricular Activities: | | |
| Combined Activities | 43,500 | 43,500 |
| Total Expenditures | 415,055 | 490,690 |
| Excess of Revenue Over (Under) Expenditures | (36,055) | (111,690) |
| Other Financing Sources: | | |
| Transfers In | 33,138 | 33,138 |
| Transfers Out | - | - |
| Total Other Financing Sources | 33,138 | 33,138 |
| Extraordinary Items - (Note 15) | - | - |
| Net Change in Fund Balances | (2,917) | (78,552) |
| Fund Balance - Beginning | 167,654 | 167,654 |
| Fund Balance - Ending | \$ 164,737 | \$ 89,102 |

The accompanying notes are an integral part of these financial statements.

| ACTUAL AMOUNTS (BUDGETARY BASIS) | FINAL BUDGET - POSITIVE (NEGATIVE) |
|-------------------------------------|---------------------------------------|
|-------------------------------------|---------------------------------------|

| | |
|------------|-----------|
| \$ 395,643 | \$ 37,643 |
| 532 | 32 |
| 573 | 73 |
| 1,121 | 1,121 |
| 11,700 | (8,300) |

| | |
|---------|--------|
| 21,046 | 21,046 |
| 430,615 | 51,615 |

| | |
|--------|-------|
| 25,709 | 7,668 |
| 68,805 | 280 |

| | |
|-----|--------|
| 143 | 10,705 |
|-----|--------|

| | |
|-------|-------|
| 6,044 | 6,031 |
|-------|-------|

| | |
|---|-----|
| - | 585 |
|---|-----|

| | |
|---------|--------|
| 4,645 | 5 |
| 89,996 | 28,114 |
| 76,073 | 2,427 |
| 800 | - |
| 119,156 | 4 |

| | |
|--------|--------|
| 32,796 | 10,704 |
|--------|--------|

| | |
|---------|--------|
| 424,167 | 66,523 |
|---------|--------|

| | |
|-------|---------|
| 6,448 | 118,138 |
|-------|---------|

| | |
|---------|---------|
| 36,156 | 3,018 |
| (1,121) | (1,121) |

| | |
|--------|-------|
| 35,035 | 1,897 |
|--------|-------|

| | |
|-------|-------|
| 5,383 | 5,383 |
|-------|-------|

| | |
|--------|---------|
| 46,866 | 120,035 |
|--------|---------|

| | |
|---------|---|
| 167,654 | - |
|---------|---|

| | |
|------------|------------|
| \$ 214,520 | \$ 120,035 |
|------------|------------|

REQUIRED SUPPLEMENTARY INFORMATION
HOWARD SCHOOL DISTRICT NO. 48-3
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

| | BUDGETED AMOUNTS | |
|---|------------------|------------------|
| | ORIGINAL | FINAL |
| Revenues: | | |
| Revenue from Local Sources: | | |
| Taxes: | | |
| Ad Valorem Taxes | \$ 398,600 | \$ 398,600 |
| Prior Years' Ad Valorem Taxes | 400 | 400 |
| Penalties and Interest on Taxes | 500 | 500 |
| Earnings on Investments and Deposits | - | - |
| Other Revenue from Local Sources | | |
| Contributions and Donations | - | - |
| Charges for Services | 12,000 | 12,000 |
| Revenue from Federal Sources: | | |
| Grants-in-Aid: | | |
| Restricted Grants-in-Aid Received from Through The State | 189,963 | 189,963 |
| Total Revenue | 601,463 | 601,463 |
| Expenditures: | | |
| Instruction: | | |
| Special Programs: | | |
| Programs for Special Education | 387,206 | 387,206 |
| Support Services - Pupils: | | |
| Psychological | 28,000 | 28,000 |
| Speech Pathology | 73,422 | 73,422 |
| Student Therapy Services | 32,000 | 32,000 |
| Support Services - Special Education | | |
| Administrative Costs | 27,990 | 29,660 |
| Transportation Costs | 5,750 | 5,750 |
| Total Expenditures | 554,368 | 556,038 |
| Excess of Revenue Over (Under) Expenditures | 47,095 | 45,425 |
| Other Financing Uses: | | |
| Transfers In (Out) | - | - |
| Extraordinary Items - (Note 15) | - | - |
| Net Change in Fund Balances | 47,095 | 45,425 |
| Fund Balance - Beginning | 10,021 | 10,021 |
| Fund Balance - Ending | \$ 57,116 | \$ 55,446 |

The accompanying notes are an integral part of these financial statements.

| ACTUAL AMOUNTS | FINAL BUDGET - |
|-------------------|---------------------|
| (BUDGETARY BASIS) | POSITIVE (NEGATIVE) |

| | | | |
|----|----------|----|----------|
| \$ | 397,021 | \$ | (1,579) |
| | 976 | | 576 |
| | 826 | | 326 |
| | 913 | | 913 |
| | 177 | | 177 |
| | 10,945 | | (1,055) |
| | 128,445 | | (61,518) |
| | 539,303 | | (62,160) |
| | 301,947 | | 85,259 |
| | 27,172 | | 828 |
| | 70,355 | | 3,067 |
| | 19,994 | | 12,006 |
| | 28,606 | | 1,054 |
| | 4,089 | | 1,661 |
| | 452,163 | | 103,875 |
| | 87,140 | | 41,715 |
| | (48,008) | | (48,008) |
| | 95,161 | | 95,161 |
| | 134,293 | | 88,868 |
| | 10,021 | | - |
| \$ | 144,314 | \$ | 88,868 |

REQUIRED SUPPLEMENTARY INFORMATION
HOWARD SCHOOL DISTRICT NO. 48-3
BUDGETARY COMPARISON SCHEDULE
PENSION FUND - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

| | BUDGETED AMOUNTS | |
|---|------------------|-----------|
| | ORIGINAL | FINAL |
| Revenues: | | |
| Revenue from Local Sources: | | |
| Taxes: | | |
| Ad Valorem Taxes | \$ 85,000 | \$ 85,000 |
| Prior Years' Ad Valorem Taxes | - | - |
| Penalties and Interest on Taxes | 150 | 150 |
| Earnings on Investments and Deposits | - | - |
| Total Revenue | 85,150 | 85,150 |
| Expenditures: | | |
| Instruction: | | |
| Regular Programs: | | |
| Elementary | 28,335 | 28,335 |
| High School | 31,985 | 31,985 |
| Support Services: | | |
| Support Services - Pupils: | | |
| Guidance | 3,800 | 3,800 |
| Support Services - Instructional Staff: | | |
| Educational Media | 2,277 | 2,277 |
| Support Services - General Administration: | | |
| Executive Administration | 4,307 | 4,307 |
| Support Services - School Administration: | | |
| Office of the Principal | 9,618 | 9,618 |
| Support Services - Business: | | |
| Fiscal Services | 2,300 | 2,300 |
| Operations and Maintenance of Plant | 2,528 | 2,528 |
| Total Expenditures | 85,150 | 85,150 |
| Excess of Revenue Over (Under) Expenditures | - | - |
| Other Financing Uses: | | |
| Operating Transfer Out | - | - |
| Net Change in Fund Balances | - | - |
| Fund Balance - Beginning | 2 | 2 |
| Fund Balance - Ending | \$ 2 | \$ 2 |

The accompanying notes are an integral part of these financial statements.

| ACTUAL AMOUNTS (BUDGETARY BASIS) | VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE) |
|-------------------------------------|--|
|-------------------------------------|--|

| | |
|-----------|-------|
| \$ 85,017 | \$ 17 |
| 209 | 209 |
| 177 | 27 |
| 39 | 39 |
| 85,442 | 292 |

| | |
|----------|----------|
| 26,802 | 1,533 |
| 31,985 | - |
| 3,758 | 42 |
| 2,275 | 2 |
| 4,130 | 177 |
| 9,442 | 176 |
| 2,300 | - |
| 2,528 | - |
| 83,220 | 1,930 |
| 2,222 | 2,222 |
| (39) | (39) |
| 2,183 | 2,183 |
| 2 | - |
| \$ 2,185 | \$ 2,183 |

HOWARD SCHOOL DISTRICT NO. 48-3
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2010

1. BASIS OF PRESENTATION:

The financial statements prepared in conformity with accounting principles generally accepted in the United States of America present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the budgetary Required Supplementary Information Schedule, the purchase of a school bus would be reported as an expenditure of the Support Services-Business/Pupil Transportation function of government, along with all other current Pupil Transportation related expenditures.

2. BUDGETS AND BUDGETARY ACCOUNTING:

The School District followed these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to the first regular board meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year. The proposed budget is published for public review no later than July 15 each year. Public hearings are held to solicit taxpayer input prior to the approval of the budget. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
- b. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in letter d.
- c. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
- d. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.

HOWARD SCHOOL DISTRICT NO. 48-3
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2010

2. BUDGETS AND BUDGETARY ACCOUNTING: (CONT'D)

- e. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds.

No encumbrances were outstanding at June 30, 2010.

- f. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
- g. Budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

REQUIRED SUPPLEMENTARY INFORMATION
HOWARD SCHOOL DISTRICT 48-3
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2010

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (Unit Credit) (b) | Unfunded Actuarial Accrued Liability (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll [(b-a)/c] |
|--------------------------------|--|--|--|--------------------------|---------------------------|---|
| 6/30/2009 | - | 465,584 | 465,584 | 0.00% | n/a | n/a |
| | | | | | | |
| | | | | | | |

Only one year of the three year trend will be completed in the first year of presenting this schedule.

Listing of Cost Methods to Insert Above:

1. Unit Credit
2. Entry Age
3. Attained Age
4. Aggregate
5. Frozen Entry Age
6. Frozen Attained Age